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Impact investors push human capital in lieu of DEI
By Rob Burgess
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For many advocates of impact investing, the re-election of President Donald Trump and the Republican sweep of Congress was not what they were hoping for.

"For those of you who are mourning, we are with you," Kristin Hull, founder and chief investment officer at Nia Impact Capital, said during a webinar on Wednesday.

And yet, Hull said she and other such portfolio managers have been here before.

"We did manage through the last Trump presidency," she said.

New administration moves slowly on tariffs and IRA funding freeze
Before Inauguration Day, Hull said that she had expected the long-discussed tariffs to be implemented on Trump's first day in office. Now, that has been pushed off until at least next month.

"That's an interesting step because tariffs affect consumer pricing," she said. "They also affect many of the ways that our companies work across their global revenues. They do get passed on to the consumer, and it does affect prices of large corporations as far as what deals we can do."

One area that the tariffs would have less of an effect on Nia Impact Capital's portfolios would be Chinese companies. Hull said Nia required all of the companies within its portfolios to have diversity in leadership and transparency.

"That keeps us largely out of China," she said. "When and if there are tariffs with China, our companies are largely not as affected, which is nice to see, and that's what we saw last time."

Another area that Trump hasn't been able to move rapidly on is the Inflation Reduction Act (IRA). Though he signed an executive order freezing funding to projects like renewable energy and infrastructure associated with the IRA, his budget office significantly narrowed the scope.

"A lot of those projects are happening in the red states where a lot of his constituents are," said Hull. "To remove that funding is not going to go well, and we believe that those projects will continue. They're good for the nation."

Fossil fuel a 'dying industry'
One Trump executive order that Hull called "very cringe-worthy" was his opening

of the Arctic National Wildlife Refuge in Alaska to oil and gas drilling, mining and logging.

She said they were particularly concerned about pollution during excavation, transportation and the refining and burning of oil and gas.

Meanwhile, states like California and countries in the European Union are moving away from fossil fuels "as fast as they can."

"They have issues with Russia," Hull said. "Renewables in the forms of wind, solar and waves can help without energy independence, and then it also can bring costs down."

A long view of some fossil fuel ETFs by Factset showed that if someone had invested $10,000 there in 2014, they would have $9,478.

"The fossil fuel industry, regardless of who's in the White House, is a dying industry," Hull said. "While there may be some additional investment in the fossil fuel industry in the next four years, and certainly a lot of air time given to that, you can see from the past 10 years that that has not been the industry to invest in."

DEI? Try 'human capital management'

Another in the flurry of executive orders signed by Trump in his first days back in office was an attack on diversity, equity and inclusion (DEI). This has gone hand in hand with many companies like Amazon, Meta and Walmart recently scaling back or ending DEI initiatives.

However, Hull said companies that they are talking to "still know that strong human capital management and having diverse teams is going to be the best for their return on investment."

"What we are seeing and talking to our companies is that they may be moving away from the letters DEI," she said.

Similarly, companies have been shying away from the outward environmental, social and governance (ESG) labels due to perceived backlash.

"Yet they do know that this is important work to maintain," she said. "Are they going to call it DEI? Probably not. We have said we're comfortable calling it 'strong human capital management.'"

For example, Nia Impact Capital has been working to file shareholder resolutions specifically about "human capital management" with Tesla "looking for board accountability."

Hull said this was "not a popular stance" for them to take, particularly given the role that CEO Elon Musk has taken within the government.

"Yet the work continues," she said. "It's important to have an investor voice maintaining and holding companies accountable, particularly in these times."

The rise of AI increases need for clean energy

One area Nia Impact Capital has taken a keen interest in is how artificial intelligence has been used in health care settings. Jethro Townsend, portfolio manager at Nia Impact Capital, said they are looking closely at how AI and large language models are being utilized for early-stage detection of cancer, epilepsy and autism.

"We think that there's going to be a lot more happening," he said.

This increased proliferation of AI in all areas has led to the proliferation of data centers globally.

"We think there's going to be a need for these companies to find and utilize alternative sources of energy to power these data centers, even the chips that power the data centers have to become more efficient with the usageof energy," said Townsend. "We're seeing that in the chips, plastic, silicon as well as memory. We should start to see more clean data centers and new technologies surrounding cooling those data centers."

Sampurna Khasnabis, equity analyst at Nia Impact Capital, said they are hopeful about the ability of clean energy to meet this increase in demand for electrification.

According to a Bloomberg analysis, inexpensive panels and clean energy policies are driving demand for solar energy. Annual capacity additions have ticked up steadily over the past five years, going from 118.6 gigawatts in 2019 to an estimated 594.8 gigawatts in 2024.

"It's interesting because this topic is incredibly politicized and polarized within the U.S., but we're continuing to see an expansion in demand and an expansion of the clean energy market globally, including areas like China, India, Spain, Germany and Saudi Arabia," said Khasnabis.

Just as he did in his first term, Trump has once again withdrawn the U.S. from the Paris Agreement, "which puts us in a peer group with Iran, Libya and Yemen."

"However, there are still more than 195 countries which are still signed on to the agreement and have reiterated their commitments towards clean energy and the path to net zero," said Khasnabis.